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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9242
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBK/AMEMBASSY BANGKOK 3017
RUEHBJ/AMEMBASSY BEIJING 2373
RUEHBY/AMEMBASSY CANBERRA 2154
RUEHKA/AMEMBASSY DHAKA 5292
RUEHLO/AMEMBASSY LONDON 2216
RUEHNE/AMEMBASSY NEW DELHI 5627
RUEHUL/AMEMBASSY SEOUL 9224
RUEHTC/AMEMBASSY THE HAGUE 0844
RUEHKO/AMEMBASSY TOKYO 6802
RUEHCN/AMCONSUL CHENGDU 1882
RUEHCHI/AMCONSUL CHIANG MAI 2261
RUEHCI/AMCONSUL KOLKATA 0730
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RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
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RUEKJCS/SECDEF WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000445

SIPDIS

STATE FOR EAP/MLS; WHA/CAN; INR/EAP; OES
BANGKOK FOR REO
DEPT PLEASE PASS TO DEPARTMENT OF COMMERCE, US GEOLOGICAL
SOCIETY
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TREASURY FOR OASIA

E.O. 12958: DECL: 07/16/2019
TAGS: [ECON](#) [EMIN](#) [PGOV](#) [PREL](#) [BM](#)
SUBJECT: BURMA: IVANHOE JOINT VENTURE RESUMES OPERATIONS

REF: A. 08 RANGOON 763
[1](#)B. RANGOON 20

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d).

Summary

[1](#)1. (C) Myanmar Ivanhoe Copper Co. Ltd. (MICCL) Acting Managing Director Glen Ford confirmed that MICCL, a joint venture between Canadian company Ivanhoe Mining and state-owned Mining Enterprise-1, resumed operations in May, after halting operations more than a year ago. According to Ford, the MICCL has yet to sell its shares to a Chinese consortium, although negotiations remain ongoing. Because the sale has been delayed, MICCL officials chose to resume operations to provide jobs to more than 1,800 local staff. Ford urged the USG to lift sanctions on Burma, and asked why MICCL is the only joint venture on the U.S. targeted sanctions list. End Summary.

MICCL Resumes Copper Mining

[1](#)2. (C) During a meeting with the Charge and Econoff on June 13, MICCL Acting Managing Director Glen Ford confirmed news reports that MICCL resumed full copper extraction on May 18, after halting operations in April 2008 (Ref A). MICCL initially halted mining in 2008 anticipating the sale of the

mine to a consortium of three Chinese companies -- WanBo Copper, Norinco Copper, and Aluminum Corporation of China (Chalco). Despite over a year of negotiations brokered by regime crony Tay Za, MICCL, joint venture partner Mining Enterprise-1 (ME-1), and the Chinese consortium are no closer to inking a final deal, Ford acknowledged. The Chinese consortium has undermined negotiations by its unrealistic demands, including provisions for below-market value sales of copper and long term tax holidays, on the Burmese Government. (Ref B). Ford also speculated that the Burmese Government does not want "the Chinese to get their hands on" the Sabetaung-Kyisintaung (S&K) copper mine, which can produce up to 120,000 tons of copper annually. He said the deal is not dead, but could not predict when or if the sale would go through.

¶3. (C) In the face of ongoing delays, Ford and his staff decided to resume operations in May to provide jobs to approximately 1,800 local staff and two expatriates. He observed that since MICCL has no debt, any profit would be shared 65/35 with ME-1 based on the MICCL joint venture agreement (Ref A).

MICCL Requests Removal from
USG Targeted Sanctions List

¶4. (C) Ford urged the USG to remove MICCL from the targeted sanctions list, noting that MICCL does not provide political support to the regime. He noted that many companies, including Myanmar Tractor (the sole dealer of Caterpillar products in Burma), are wary of working with MICCL because

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they are afraid of sanctions. He inquired why the USG targeted only MICCL, since other companies, particularly from China, Korea, Malaysia, and Russia, have joint ventures with one or more Burmese state-owned enterprises. Charge informed Ford that the Embassy could not advocate on behalf of MICCL. We observed, however, that the Department of the Treasury's Office of Foreign Assets Control has an appeal mechanism through which Ivanhoe's lawyers could file an appeal.

Comment

¶5. (C) Although OFAC added MICCL to the targeted sanctions list in late 2008, it took MICCL over six months to approach the Embassy about filing an appeal. Perhaps Ford delayed his request because he believed MICCL would successfully sell the mine to the Chinese. In any event, we expect Ivanhoe will likely submit appeal documents to Treasury within the next month.

¶6. (C) Ford and his staff, who had been our key sources of information in the mining sector, have been reluctant to meet with us since OFAC targeted MICCL's operations. Ford initially rebuffed our requests for a meeting after news broke about MICCL's resumption of operations, and he continues to encourage foreign businessmen, particularly in the oil and gas sector, to not meet with Embassy personnel, lest they end up on OFAC's targeted sanctions list.

DINGER